

Message Text

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ACTION L-02

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 3223

C O N F I D E N T I A L LIMA 10702

EO 11652: GDS

TAGS: BDIS, EIND, EMIN, EFIN, PE

SUBJECT: CERRO DISAGREEMENT WITH MINEROPERU

REF: STATE 275279, LIMA 10532, LIMA 10420, LIMA 10295

1. EMBASSY OFFICER MET AGAIN WITH ING. ALBERTO RUBINA, MINPECO GENERAL MANAGER. RUBINA SAID THAT THE INTER- AGENCY COMMITTEE (WHICH HE IN FACT HEADS) PRESENTED A SERIES OF FIVE OPTIONS ON A SLIDING SCALE TO MINES MINISTER JORGE FERNANDEZ MALDONADO ON DECEMBER 19. HE REITERATED THAT THE OPTIONS RANGE FROM EXPROPRIATING CERRO'S REMAINING ASSETS TO ATTEMPTING TO WORK OUT A NEGOTIATED SOLUTION. HE SAID BOTH THE MINISTER AND HE FAVOR THE LATTER COURSE. HE SAID THAT THE MINISTER COULD MAKE A DECISION ON HIS OWN, OR MIGHT CHOOSE TO PASS THE MATTER ON TO THE COUNCIL OF MINISTERS, ESTIMATING THAT A DECISION ON THE COMMIS- SION'S RECOMMENDATIONS WOULD PROBABLY TAKE ABOUT TWO WEEKS. HE NOTED THAT, AS A MINIMUM, CERRO WOULD HAVE TO RETURN THE \$6 MILLION AND PAY CERTAIN DIFFERENCES ON COMMIS- SIONS WHICH CERRO SALES HAD MADE ON CONTRACTS IN VIOLATION OF PERUVIAN REGULATIONS.

2. EMBASSY OFFICER NOTED THAT DEPARTMENT OFFICIAL HAD RE- CENTLY DISCUSSED THIS PROBLEM WITH CERRO OFFICIALS WHO HAD STATED THEIR WILLINGNESS TO WORK OUT A MUTUALLY AC-
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CEPTABLE SOLUTION. RUBINA SAID HE HOPED THAT SUCH A

SOLUTION WOULD BE POSSIBLE BUT THAT HE WAS NOT TOO SANGUINE ABOUT REACHING A SETTLEMENT. HE EMPHASIZED, HOWEVER, HIS DESIRE NOT TO BE FORCED INTO TAKING THE EXTREME STEP OF EXPROPRIATING CERRO'S EIGHT COMPANIES. BY WAY OF BACKGROUND, BUBINA THEN NOTED THAT EMINENCE GRISE OF THIS AFFAIR AS FAR AS HE IS CONCERNED IS THE VICE PRESIDENT OF CERRO SALES, ING. JAIME CLARO, WHO RUBINA SAID IS A "CHILENO". RUBINA CLAIMED THAT CLARO, WHOSE BROTHER IS A CLOSE ADVISOR TO PRESIDENT PINOCHET AND WHO HIMSELF NEGOTIATED THE RECENT AGREEMENT BETWEEN THE CHILEAN GOVERNMENT AND CERRO, HAD BEEN ATTEMPTING TO BLOCK ALL SETTLEMENT OF THIS ISSUE. RUBINA ADDED THAT HE (RUBINA) HAD NEGOTIATED AN ORAL AGREEMENT CONCERNING THE \$6 MILLION WITH CLARO AND RALPH DREYFUS, PRESIDENT OF CERRO SALES WHEN HE VISITED NEW YORK IN OCTOBER. HOWEVER, ALTHOUGH DREYFUS WAS WILLING TO REDUCE THE AGREEMENT TO WRITING, CLARO ADAMANTLY REFUSED TO SIGN IT. FURTHER, CLARO TURNED DOWN RUBINA'S INVITATION TO COME TO PERU TO WORK OUT A SETTLEMENT. (NOTE: THIS IS A SLIGHTLY DIFFERENT TWIST ON THE REPORTED DISAGREEMENT OVER THE TEXTS OF THE TWO MEMORANDUMS REPORTED PARAGRAPH 3 LIMA 10295.)

3. RUBINA SAID THAT WHEN THE GOP HAD MADE A DECISION ON THE COMMISSION'S RECOMMENDATIONS HE WOULD INFORM US. HE SAID ONCE AGAIN HE PRESUMED A FURTHER EFFORT TO NEGOTIATE WILL BE UNDERTAKEN SINCE THE GOP DOES NOT DESIRE A CONFRONTATION WITH THE USG. HE ADDED, THAT IF NEGOTIATIONS SHOULD FAIL, THEN THE GOP MIGHT CONSIDER ASKING FOR DEPARTMENT OF STATE INTERVENTION BEFORE EXPROPRIATING THE COMPANIES. (HE DID NOT SAY SO, BUT PRESUMABLY THIS APPEAL WOULD BE BASED ON THE GREENE AGREEMENT.)

4. RUBINA MADE NO MENTION OF CERRO'S DESIRE TO SELL ITS INTERESTS IN PERU AND MAY NOT, IN FACT, BE AWARE THAT CERRO IS INTERESTED IN DOING SO.

5. EMBASSY DOES NOT HAVE A COPY OF THE CERRO-GOP AGREEMENT AND NEITH DOES LOCAL CERRO OFFICE. EMBASSY WILL ENDEAVOR TO OBTAIN A COPY FROM MINPECO, BUT ALSO SUGGESTS THAT DEPARTMENT ADK CERRO HEADQUARTERS FOR COPY. IT MAY ALSO CONFIDENTIAL

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BE HELPFUL TO OBTAIN COPIES OF CONTRACTS WHICH CERRO SAYS MINPECO IS VIOLATING.

6. HAROLD GARDENER HAS ALSO INFORMED US OF IMPENDING CERRO MANAGEMENT CHANGE. CERRO CHIEF EXECUTIVE OFFICER GORDON MURPHY WILL BE LEAVING THE COMPANY IN MAY, 1975. PRIOR TO HIS DEPARTURE, JAY PRITZKER (WHO NOW REPORTEDLY OWNS 45 PERCENT OF CERRO STOCK) AND ROBERT PRITZKER WILL BE WORKING WITH MURPHY

TO ENSURE A SMOOTH TRANSITION. UPON MURPHY'S DEPARTURE,
ROBERT PRITZGER WILL TAKE HIS PLACE.

7. COMMENT: IF RUBINA'S THINKING ACCURATELY REFLECTS
GOP VIEWS, THEN IT DOES NOT APPEAR THAT GOP IS YET PRE-
PARED TO TAKE EXTREME STEP OF EXPROPRIATING COMPANIES.
HOWEVER, A CLEAR ANIMUS AND CONCERN ABOUT ING. CLARO
WAS EVIDENT DURING THE DISCUSSION, AND THE FACT THAT A
"CHILEAN" WITH CLOSE TIES TO THE PINOCHET GOVERNMENT IS A
KEY CHARACTER IN THIS DRAMA OBVIOUSLY DOES NOT MAKE RESOLU-
TION ANY EASIER FROM THE PERUVIAN POINT OF VIEW.

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